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Safe, Clean, Reliable Water Supply Act.

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Safe, Clean, Reliable Water Supply Act.

Official Title and Summary Prepared by the Attorney General

SAFE, CLEAN, RELIABLE WATER SUPPLY ACT.

- This act provides for a bond issue of nine hundred ninety-five million dollars (\$995,000,000) to provide funds to ensure safe drinking water, increase water supplies, clean up pollution in rivers, streams, lakes, bays, and coastal areas, protect life and property from flooding, and protect fish and wildlife and makes changes in the Water Conservation and Water Quality Bond Law of 1986 and the Clean Water and Water Reclamation Bond Law of 1988 to further these goals.
- Appropriates money from state General Fund to pay off bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- General Fund cost of up to \$1.8 billion to pay off both the principal (\$995 million) and interest (\$776 million).
 - The average payment for principal and interest over 25 years would be up to \$71 million per year.
-

Final Votes Cast by the Legislature on SB 900 (Proposition 204)

Assembly: Ayes 74	Senate: Ayes 33
Noes 4	Noes 4

Analysis by the Legislative Analyst

BACKGROUND

Water Quality and Supply. In past years, the state has provided funds for projects that improve water quality and supply. For example, the state has provided loans and grants to local agencies for the construction and implementation of wastewater treatment, water supply, and water conservation projects and facilities. The state has sold general obligation bonds to raise the money for these purposes. As of June 1996, all but about \$79 million of the \$2 billion authorized by previous bond acts had been spent or committed to specific projects. Project applications have been received for most of the remaining uncommitted funds.

Bay-Delta. The state also has funded the restoration and improvement of fish and wildlife habitat in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the Bay-Delta) and other areas, using various fund sources including general obligation bonds and the state General Fund. The Bay-Delta supplies a substantial portion of the water used in the state for domestic, industrial, agricultural, and environmental purposes. For example, water flowing through the Bay-Delta provides drinking water for about 22 million people in California and irrigates 45 percent of the fruits and vegetables produced in the United States. In addition to supplying water, the Bay-Delta provides habitat for fish and wildlife, including several endangered species, and an estimated 80 percent of the state's commercial fishery species live in or migrate through the Bay-Delta.

Increased demand for water from the Bay-Delta, combined with other factors such as pollution, degradation of fish and wildlife habitat, and deterioration of delta levees and flood control facilities, has reduced the Bay-Delta's capacity to provide reliable supplies of water and sustain fish and wildlife species.

The CALFED Bay-Delta Program is a joint state and federal effort to develop a long-term approach to restoring ecological health and improving water management in the Bay-Delta. Total capital costs for the various alternatives under consideration range from \$4 billion to \$8 billion over the next 20 to 40 years. It is anticipated that funding would come from a variety of federal, state, local, and private sources.

Flood Control. The state also provides funds to local agencies for flood control projects. The state has not previously sold general obligation bonds to fund the construction of local flood control projects or facilities. Rather, these projects have primarily been funded from the state General Fund. However, due to the state's fiscal condition in recent years, the state has been unable to pay its share of the costs of these projects. As of June 1996, the unpaid amount of the state's share of costs for local flood control was about \$158 million.

PROPOSAL

This measure authorizes the state to sell \$995 million of general obligation bonds for the purposes of restoration and improvement of the Bay-Delta;

wastewater treatment and water supply and conservation; and local flood control and prevention. General obligation bonds are backed by the state, meaning that the state is required to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. General Fund revenues come primarily from the state personal and corporate income taxes and sales tax.

Figure 1 lists the purposes for which the bond money would be used. The bond money will be available for expenditure by various state agencies and for loans and grants to local agencies. The measure specifies the conditions under which the funds are available for loans, including the terms for interest and repayment of the loans.

In some instances, the measure makes the expenditure of bond funds contingent on actions by the state or federal government. For example, under the measure, funds for projects to restore the Bay-Delta ecosystem may not be spent until the state and federal governments have completed their environmental review of the projects and have entered into a cost-sharing agreement for funding those projects.

In addition to authorizing the sale of bonds, the measure requires that the repayment of loans funded under the 1988 Clean Water and Water Reclamation Bond (Proposition 83) be used to provide additional loans and grants for local water recycling projects.

FISCAL EFFECT

Costs of Paying Off the Bonds. For these types of bonds, the state typically makes principal and interest payments from the state's General Fund over a period of about 25 years. If all of the bonds authorized by this measure are sold at an interest rate of 6 percent, the cost would be about \$1.8 billion to pay off both the principal (\$995 million) and interest (\$776 million). The average payment for the principal and interest would be about \$71 million per year.

However, total debt repayment costs to the state will be somewhat less than the \$1.8 billion. First, bonds used to fund revolving loan programs (\$175 million) may have to be financed over a shorter period than is typically used for most state bonds in order to comply with federal law. Consequently, total interest costs on these bonds would be less than if the payments were made over 25 years. Second, the measure requires that loans made for construction of drainage water management and local water projects be repaid to the state General Fund. The repayments of these loans could reduce the state General Fund cost by about \$70 million over the life of the bonds.

Use of Repayments of Past Loans. The 1988 Clean Water and Water Reclamation Bond (Proposition 83) authorized up to \$40 million in loans to local agencies. Currently, repayments of these loans are used to pay off the bonds. This measure requires, instead, that the repayments be used to provide additional loans and grants for local water recycling projects. As a result, this will result in a General Fund cost of at least \$60 million to pay off the principal and interest of these bonds.

Figure 1

Proposition 204 Safe, Clean, Reliable Water Supply Act Uses of Bond Funds

(In Millions)	Amount
Bay-Delta Improvement	\$193
• Central Valley Project Improvement—fish and wildlife restoration	93
• Bay-Delta non-flow-related projects	60
• Delta levee rehabilitation and maintenance and flood protection	25
• South Delta environmental enhancement and mitigation	10
• CALFED state's share of administration	3
• Delta recreation	2
CALFED Bay-Delta Ecosystem Restoration	\$390
• Existing habitat protection and enhancement	— ^a
• Tidal, riparian, wetlands, and other habitat restoration	— ^a
• Instream flow improvements	— ^a
• Fish protection and management	— ^a
Clean Water and Water Recycling	\$235
• Wastewater treatment	110
• Water recycling and reclamation	60
• Treatment and management of agricultural drainage water	30
• Delta tributary watershed rehabilitation	15
• Seawater intrusion control	10
• Lake Tahoe water quality	10
Water Supply Reliability	\$117
• Water conservation and groundwater recharge	30
• River parkway acquisition and riparian habitat restoration	27
• Local water supply development and environmental mitigation	25
• Sacramento Valley water management and habitat protection	25
• Feasibility investigations for off-stream storage, water recycling, water transfer facilities, and desalination	10
Local Flood Control and Prevention	\$ 60
• Claims submitted by 6/30/96 for projects in specified counties	60
Total	\$995

^a Amounts not specified.

For text of Proposition 204 see page 79

Argument in Favor of Proposition 204

Safe drinking water is something most of us take for granted. But the truth is, unless we act now, California's residents, businesses and farms face a future of chronic water shortages and potentially unsafe supplies. According to the California Department of Water Resources, our water problems will only get worse, due to increasing population and a water supply system that has not kept up with our needs.

Proposition 204, the **SAFE, CLEAN, RELIABLE WATER SUPPLY ACT**, provides the foundation for a comprehensive and lasting solution to the state's water supply needs. Proposition 204 is a truly **BALANCED WATER SOLUTION THAT IS GOOD FOR OUR ECONOMY AND JOBS, GOOD FOR OUR ENVIRONMENT AND GOOD FOR ALL CALIFORNIANS.**

PROPOSITION 204 WILL BENEFIT ALL CALIFORNIANS BY:

ENSURING SAFE DRINKING WATER. Proposition 204 helps meet safe drinking water standards to protect public health.

INCREASING WATER SUPPLIES. Proposition 204 makes more water available to meet the state's growing needs through conservation, recycling and potential off-stream reservoirs and delivery systems to capture water in wet years for use during droughts.

PREVENTING WATER POLLUTION. Our streams, rivers, lakes, bays and coastal waters are threatened by pollution. Proposition 204 provides for cleanup of our precious waterways.

PROTECTING AGAINST FLOODS. Flooding threatens lives and has caused billions of dollars in property damage. Proposition 204 allows long-overdue flood protection projects to be completed.

HELPING OUR ECONOMY AND JOBS. Water is the lifeblood of California's economy. Reliable water supplies will protect existing jobs, encourage new businesses and create new jobs.

ENCOURAGING WATER CONSERVATION AND RECYCLING. Proposition 204 ensures we get the most out of our existing water supplies by encouraging conservation and recycling.

PROTECTING FISH AND WILDLIFE. Proposition 204 helps protect critical fisheries, wildlife, wetlands and other natural habitats, including the San Francisco Bay/Sacramento-San Joaquin Delta. The Bay-Delta is one of

the state's most important environmental resources and the source of drinking water for over 22 million Californians.

PROTECTING AGAINST EARTHQUAKE DAMAGE. Seismic experts believe our water delivery system is in danger from major earthquakes, which could leave residents, businesses and farms without water. Proposition 204 provides necessary repairs and improvements to the delivery system to help prevent catastrophic failures.

WE CANNOT AFFORD TO WAIT. We must invest in our water supply system to ensure safe drinking water and avoid chronic water shortages. If we do not act NOW, the cost will be far higher in the future. The last major investment in our water supply system occurred 36 years ago, in 1960.

Join a diverse group of Californians in support of Proposition 204, including:

**ASSOCIATION OF CALIFORNIA WATER AGENCIES
CALIFORNIA CHAMBER OF COMMERCE
ENVIRONMENTAL DEFENSE FUND
CALIFORNIA FARM BUREAU FEDERATION
STATE BUILDING & CONSTRUCTION TRADES COUNCIL
AFL-CIO**

**BAY AREA ECONOMIC FORUM
SOUTHERN CALIFORNIA WATER COMMITTEE
NORTHERN CALIFORNIA WATER ASSOCIATION
CALIFORNIA BUSINESS ROUNDTABLE
COUNCIL FOR A GREEN ENVIRONMENT
PACIFIC WATER QUALITY ASSOCIATION
DELTA RESTORATION COALITION**

VOTE YES FOR SAFE DRINKING WATER, YES FOR RELIABLE WATER SUPPLIES, YES FOR JOBS, YES FOR THE ENVIRONMENT AND YES FOR CALIFORNIA'S FUTURE.

YES ON PROPOSITION 204!

JIM COSTA

Chairman, Senate Agriculture and Water Resources Committee

STEPHEN HALL

Executive Director, Association of California Water Agencies

GERALD H. MERAL, Ph.D.

Scientist, Planning and Conservation League

Rebuttal to Argument in Favor of Proposition 204

We weren't aware of any water crisis until we read the proponents' argument. We suspect that these scare tactics are meant to convince you to support yet another big government public works boondoggle. Remember, using bond financing almost doubles the cost of any government project. Taxpayers can't afford Proposition 204. Let's look at the issues:

INCREASE WATER SUPPLIES—Residential customers use only 15% of California's water, but have to subsidize the agricultural and commercial customers who use 85%. If big water users had to pay the real cost of their water, prices would fluctuate according to supply and lead to conservation, as cost-effectiveness would become a major concern.

PREVENTING WATER POLLUTION—Those who pollute our rivers and lakes should be held fully responsible for the damage they do. Taxpayers should not be put on the hook for damages caused by private businesses and individuals. In cases where government officials are responsible for the pollution, we

don't need to give them a blank check to clean it up.

HELPING OUR ECONOMY AND JOBS—Reliable water supplies alone won't create jobs. We need to cut the size and scope of government, slash taxes and repeal regulations so that businesses can create new jobs.

Many of Proposition 204's provisions could cause serious damage to private property rights. Armies of bureaucrats will march through the Sacramento Delta to impose rules and regulations. Then taxpayers will have to pay \$1.7 BILLION in principal and interest over 25 years. Please vote NO.

JON PETERSEN

Treasurer, Libertarian Party of California

DENNIS SCHLUMPF

Director, Tahoe City Public Utility District

TED BROWN

Insurance Adjuster/Investigator, Pasadena

Argument Against Proposition 204

California's bond debt now approaches \$25 BILLION. Taxpayers must pay \$3 billion EVERY YEAR. Now Sacramento politicians want to add another billion. Proposition 204 is too expensive! \$995 million in bonds means a total of \$1.7 BILLION in principal and interest over 25 years. As usual, taxpayers have to pay . . . and pay . . . with no end in sight.

And just what are we paying for? Proponents claim this measure will "ensure safe drinking water . . . clean up pollution in rivers . . . protect fish and wildlife," etc. When has the government ever succeeded in doing any of these things? You are more likely to hear about government policies CAUSING unsafe water, CAUSING pollution and INJURING fish and wildlife.

When the government diverted water from Northern to Southern California, it created problems with saltwater intrusion into freshwaters. As a result, the Sacramento Delta became degraded. This new measure seeks to "protect" the very same delta. As usual, the remedy for government mistakes is to spend more of our money to correct them. These flawed government water development policies caused the selenium intrusions into the Kesterson Wildlife Refuge and Reservoir near Merced and the resulting environmental nightmare.

Proposition 204 contains a laundry list of water projects, mostly in the Sacramento Delta area. How do we know if any of these projects are worthwhile, or if they are "make-work" projects to fill the wallets of politicians and their big-money contributors? These projects should be voted on and funded at the LOCAL level, where voters have first-hand knowledge about their necessity. The rest of us lack enough information to decide intelligently.

There's also the issue of whether taxpayers all over California should have to pay for projects in one small area. Proponents

claim there is a "water crisis" and that this measure has state and national importance. They sure haven't demonstrated why. It smells like a big boondoggle to us.

The most curious part of Proposition 204 is \$390 million designated for a "Calfed Bay-Delta Ecosystem Restoration Program." A consortium of five state agencies and five federal agencies wants to create habitats, protect wetlands, introduce species management, and protect fish. We are suspicious of this program, as we are of any program that would bring together armies of bureaucrats from ten different agencies. By its very nature, the program would likely violate private property rights. Why impose strict, mostly unnecessary environmental regulations on private citizens? "Wetlands" can mean anything that bureaucrats decide it means. Homeowners have run afoul of such regulations for minor acts like filling in puddles in their backyards. Some have even gone to jail. Proposition 204's loosely defined provisions are steps toward even more bureaucratic tyranny.

We favor protecting the environment—that's why we want government bureaucrats far away from our rivers, streams and wildlife. Look at the fine print. Proposition 204 means more bureaucracy, less protection of our natural environment, and \$1.7 BILLION of our hard-earned dollars for 25 years. Please vote NO.

GAIL LIGHTFOOT

Chair, Libertarian Party of California

DENNIS SCHLUMPF

Director, Tahoe City Public Utility District

TED BROWN

Insurance Adjuster/Investigator, Pasadena

Rebuttal to Argument Against Proposition 204

Our economy, jobs and quality of life are dependent upon a safe, reliable and sufficient water supply. Proposition 204 balances the needs of the state's economy and environment to provide the foundation for a comprehensive solution to our state's water problems.

SOUND INVESTMENT. According to California State Treasurer Matt Fong, "Proposition 204's \$995 million investment in the state's water supply and delivery system is a very prudent investment to sustain and expand California's \$750 BILLION economy. This is a vital investment in our state's future."

NO TAX INCREASE. Proposition 204 does not increase taxes, it simply uses existing revenues to improve our water supply system.

STATEWIDE PROBLEM, STATEWIDE SOLUTION, STATEWIDE BENEFITS. California's water problems affect the entire state. Proposition 204 focuses on resolving critical water quality and environmental problems that impact our ability to provide safe drinking water for all Californians.

BROAD AND DIVERSE SUPPORT. Contrary to what some would have you believe, Proposition 204 is not about more government intervention. Proposition 204 was developed by a broad and diverse coalition of businesses, farmers, environmentalists and local water officials from all regions of the state concerned about SOLVING problems, not creating them.

COST EFFECTIVE. Proposition 204 is also cost effective because it generates federal matching dollars to help solve high-priority state and local water problems.

An investment in a SAFE WATER SUPPLY is an investment in our FUTURE.

VOTE YES ON PROPOSITION 204!

THOMAS S. MADDOCK

Chairman, California Chamber of Commerce Water Committee

DAVID N. KENNEDY

Director, California Department of Water Resources

SUNNE WRIGHT McPEAK

President, Bay Area Economic Forum

Proposition 204: Text of Proposed Law

This law proposed by Senate Bill 900 (Statutes of 1996, Chapter 135) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law amends and adds sections to the Water Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Division 24 (commencing with Section 78500) is added to the Water Code, to read:

DIVISION 24. SAFE, CLEAN, RELIABLE WATER SUPPLY ACT

CHAPTER 1. SHORT TITLE AND FINDINGS AND DECLARATIONS

78500. This division shall be known and may be cited as the Safe, Clean, Reliable Water Supply Act.

78500.2. In placing this measure before the voters, the Legislature hereby finds and declares all of the following:

- (a) The state faces a water crisis that threatens our economy and environment.
- (b) The state's growing population has increasing needs for safe water supplies which are essential to the public health, safety, and welfare.
- (c) It is of paramount importance that the limited water resources of the state be protected from pollution, and conserved and recycled whenever economically, environmentally, and technically feasible.
- (d) The state should plan to meet the water supply needs of all beneficial uses of water, including urban, agricultural, and environmental, utilizing a wide range of strategies including water conservation and recycling, conjunctive use of surface and groundwater supplies, water transfers, and improvements in the state's water storage and delivery systems to meet the growing water needs of the state.
- (e) This measure is a necessary first step toward providing for the state's long-term water supply requirements through a number of water management strategies.
- (f) The San Francisco Bay/Sacramento San Joaquin Delta Estuary (the Bay-Delta) is of statewide and national importance. The Bay-Delta provides habitat for more than 120 species of fish and wildlife and serves as a major link in our water delivery system for businesses and farms statewide and more than 22 million residents.
- (g) The state has signed an historic accord with federal officials and statewide water interests that calls for the development of a comprehensive and long-term solution for the water supply reliability, water quality, and environmental problems of the Bay-Delta.
- (h) Federal and state representatives have initiated a program known as CALFED, to develop a comprehensive and long-term solution to the problems associated with the Bay-Delta, including an equitable allocation of program costs among beneficiary groups. The success of the CALFED program is vital to the environmental and economic well-being of the state.

78500.4. In enacting this measure, the people of California declare all of the following to be the objectives of this act:

- (a) To provide a safe, clean, affordable, and sufficient water supply to meet the needs of California residents, farms, and businesses.
- (b) To develop lasting water solutions that balance the needs of the state's economy and its environment.
- (c) To restore ecological health for native fish and wildlife, and their natural habitats, including wetlands.
- (d) To protect the integrity of the state's water supply system from catastrophic failure due to earthquakes and flooding.
- (e) To protect drinking water quality.
- (f) To protect the quality of life in our communities by ensuring recreational opportunities and maintaining parks, trees, and plants.

CHAPTER 2. DEFINITIONS

78501. Unless the context otherwise requires, the following definitions govern the construction of this division:

- (a) "Bay-delta" means the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.
- (b) "Board" means the State Water Resources Control Board.
- (c) "CALFED" refers to a consortium of five state agencies, including the Resources Agency, the department, the Department of Fish and Game, the California Environmental Protection Agency, and the board, and five federal agencies, including the United States Department of Interior, the United States Bureau of Reclamation, the United States Fish and Wildlife Service, the Environmental Protection Agency, and the National Marine Fisheries Service, with management and regulatory responsibilities in the bay-delta.
- (d) "Clean Water Act" means the federal Clean Water Act (33 U.S.C.A. Sec. 1251 et seq.) and includes any amendments thereto.
- (e) "Committee" means the Safe, Clean, Reliable Water Supply Finance Committee created pursuant to Section 78693.
- (f) "Delta" means the Sacramento-San Joaquin Delta.
- (g) "Department" means the Department of Water Resources.
- (h) "Fund" means the Safe, Clean, Reliable Water Supply Fund created pursuant to Section 78505.

CHAPTER 3. SAFE, CLEAN, RELIABLE WATER SUPPLY FUND

78505. The proceeds of bonds issued and sold pursuant to this division shall be deposited in the Safe, Clean, Reliable Water Supply Fund, which is hereby created.

CHAPTER 4. DELTA IMPROVEMENT PROGRAM

Article 1. The Delta Improvement Account

78525. Unless the context otherwise requires, as used in this chapter, "account" means the Delta Improvement Account created by Section 78526.

78526. The Delta Improvement Account is hereby created in the fund. The sum of one hundred ninety-three million dollars (\$193,000,000) is hereby transferred from the fund to the account.

Article 2. Central Valley Project Improvement Program

78530. (a) There is hereby created in the account the Central Valley Project Improvement Subaccount.

(b) For the purposes of this article, "subaccount" means the Central Valley Project Improvement Subaccount created by subdivision (a).

78530.5. The sum of ninety-three million dollars (\$93,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78531. (a) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the Controller, to be allocated to pay the state's share of the costs for fish and wildlife restoration measures required by Section 3406 of the Central Valley Project Improvement Act (P.L. 102-575), in accordance with subdivisions (b) and (c).

(b) Funds appropriated pursuant to subdivision (a) shall be allocated to the Department of Fish and Game or the department for expenditure pursuant to the terms of the cost-sharing agreement between the United States and the State of California as required by subsection (h) of Section 3406 of the Central Valley Project Improvement Act, or any agreements supplemental thereto, for the payment of costs allocated to the state for the protection and restoration of fish and wildlife resources and habitat pursuant to Section 3406 of that federal act.

(c) The money in the subaccount may be used for both of the following purposes:

(1) To pay for the state's cost-sharing allocations or for actions directly undertaken by the department or the Department of Fish and Game relating to fish and wildlife restoration actions required by Section 3406 of the Central Valley Project Improvement Act (P.L. 102-575). For purposes of this paragraph, and consistent with Attachment C of the "Principles for Agreement on Bay-Delta Standards Between the State of California and the Federal Government," dated December 15, 1994, preference for the screening of diversions shall be given to projects, and projects within programs, identified in the Central Valley Project Improvement Act (P.L. 102-575) for which deadlines have been established by state or federal agencies, or by a state or federal court. Any preference established under this paragraph shall be revised if the deadlines are extended or eliminated.

(2) To pay for administrative costs incurred in connection with the implementation of this section by the department and the Department of Fish and Game related to fish and wildlife restoration measures undertaken pursuant to Section 3406 of the Central Valley Project Improvement Act (P.L. 102-575), as follows:

(A) Not more than 3 percent of the total amount deposited in the subaccount for the use of the department may be used to pay the costs incurred in connection with the administration of this article by the department.

(B) Not more than 3 percent of the total amount deposited in the subaccount for the use of the Department of Fish and Game may be used to pay the costs incurred in connection with the administration of this article by the Department of Fish and Game.

Article 3. Bay-Delta Agreement Program

78535. (a) There is hereby created in the account the Bay-Delta Agreement Subaccount.

(b) For the purposes of this article, "subaccount" means the Bay-Delta Agreement Subaccount created by subdivision (a).

78535.5. The sum of sixty million dollars (\$60,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78536. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the Resources Agency, to pay for the administration of this article and for non-flow-related projects called for in the Water Quality Control Plan for the Bay-Delta, adopted by the board in Resolution No. 95-24, and as it may be amended. Those projects are known as "Category III" activities called for in the "Principles for Agreement on Bay-Delta Standards Between the State of California and the Federal Government," dated December 15, 1994.

78536.5. The Secretary of the Resources Agency shall carry out this article in accordance with procedures established by CALFED for the purposes of undertaking Category III activities and other ecosystem restoration programs until the Legislature, by statute, authorizes another entity that is recommended by CALFED, to carry out this article.

78537. The state shall, to the greatest extent possible, secure federal and nonfederal matching funds to implement this article.

78538. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 4. Delta Levee Rehabilitation Program

78540. (a) There is hereby created in the account the Delta Levee Rehabilitation Subaccount.

(b) For the purposes of this article, "subaccount" means the Delta Levee Rehabilitation Subaccount created by subdivision (a).

78540.5. The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78541. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department, as follows:

(a) Twelve million five hundred thousand dollars (\$12,500,000) for local assistance under the delta levee maintenance subventions program under Part 9 (commencing with Section 12980) of Division 6, and for the administration of that assistance.

(b) Twelve million five hundred thousand dollars (\$12,500,000) for special flood protection projects under Chapter 2 (commencing with Section 12310) of Part 4.8 of Division 6, subsidence studies and monitoring, and for the administration of this subdivision. Allocation of these funds shall be for flood protection projects on Bethel, Bradford, Holland, Hotchkiss, Jersey, Sherman, Twitchell, and Webb Islands, and at other locations in the delta.

78542. The expenditure of funds under this article is subject to Chapter 1.5 (commencing with Section 12306) of Part 4.8 of Division 6.

78543. (a) No expenditure of funds may be made under this article unless the Department of Fish and Game makes a written determination as part of its review and approval of a plan or project pursuant to Section 12314 or 12987 that the proposed

expenditures are consistent with a net long-term habitat improvement program, and have a net benefit for aquatic species in the delta. The Department of Fish and Game shall make its determination in a reasonable and timely manner following the submission of the project or plan to that department. For the purposes of this article, an expenditure may include more than one levee project or plan.

(b) The memorandum of understanding entered into pursuant to Section 12307 shall be amended to require, in accordance with this section, that projects or plans be consistent with a net long-term habitat improvement program in the delta. The memorandum of understanding shall define the term "net long-term habitat improvement program in the delta" for purposes of this section. The memorandum of understanding in effect prior to the amendment required by this section shall continue to apply to levee projects and plans until the memorandum of understanding is amended.

78544. For the purposes of this article, a levee project includes levee improvements and related habitat improvements which may be undertaken in the delta at a location other than the location of that levee improvement.

78545. The expenditure of funds under this article shall result in levee rehabilitation improvement projects that, to the greatest extent possible, are consistent with the CALFED program.

Article 5. South Delta Barriers Program

78550. (a) There is hereby created in the account the South Delta Barriers Subaccount. (b) For the purposes of this article, "subaccount" means the South Delta Barriers Subaccount created by subdivision (a).

78550.5. The sum of ten million dollars (\$10,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78551. (a) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department, to pay the costs incurred by the department that are not attributable to the State Water Project's or the Central Valley Project's share of costs for the South Delta Barriers Program, and for the administration of this article.

(b) The costs identified in subdivision (a) include costs incurred for the purpose of mitigating non-State Water Project or non-Central Valley Project impacts and for the purpose of environmental enhancement in the delta.

(c) No funds shall be expended under this article unless the Department of Fish and Game determines, in writing, that a net habitat benefit will result.

78552. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 6. Delta Recreation Program

78560. (a) There is hereby created in the account the Delta Recreation Subaccount.

(b) For the purposes of this article, "subaccount" means the Delta Recreation Subaccount created by subdivision (a).

78560.5. The sum of two million dollars (\$2,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

78562. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the Department of Parks and Recreation to provide for, and improve, public access to, and to maximize public recreational opportunities on, the lands and waters of the delta in a way that is consistent with existing uses of the islands, sound resource conservation principles, and appropriate protection for the rights of private property owners, and for the administration of this article.

78564. The Department of Parks and Recreation may use funds in the subaccount for grants to local public agencies and nonprofit organizations for the purposes of acquiring fee title, development rights, easements, or other interests in land located in the delta to provide for, or improve, public access in the delta. The amount of any grant and the degree of local participation shall be determined by the fiscal resources of the grant applicant, the degree of public benefit provided by the proposed project, and other factors prescribed by the Department of Parks and Recreation.

78565. Any acquisition pursuant to this article shall be from willing sellers.

78566. The Department of Parks and Recreation may adopt regulations to carry out this article.

78568. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 7. CALFED Bay-Delta Program

78570. (a) There is hereby created in the account the CALFED Subaccount.

(b) For the purposes of this article, "subaccount" means the CALFED Subaccount created by subdivision (a).

78571. The sum of three million dollars (\$3,000,000) is hereby transferred from the account to the subaccount for the purposes of Section 78572.

78572. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is continuously appropriated, without regard to fiscal years, to the department, for the purpose of paying for the state's share of costs incurred in connection with the CALFED Bay-Delta Program.

CHAPTER 5. CLEAN WATER AND WATER RECYCLING PROGRAM

Article 1. General Provisions

78601. Unless the context otherwise requires, as used in this chapter, "account" means the Clean Water and Water Recycling Account created by Section 78602.

78602. The Clean Water and Water Recycling Account is hereby created in the fund. The sum of two hundred thirty-five million dollars (\$235,000,000) is hereby transferred from the fund to the account.

78603. The board may adopt regulations to carry out Article 2 (commencing with Section 78610), Article 3 (commencing with Section 78620), Sections 78640 to 78644, inclusive, Article 5 (commencing with Section 78647), and Article 6 (commencing with Section 78648).

78603.5. The Department of Food and Agriculture may adopt regulations to carry out Section 78645.

Article 2. Clean Water Loans and Grants

78610. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Eligible project" means a project or activity described in paragraph (1), (2), (3), or (4) of subdivision (a) of Section 13480 that is all of the following:

- (1) Necessary to prevent water pollution or to reclaim water.
- (2) Eligible for funds from the State Revolving Fund Loan Account or federal assistance.
- (3) Certified by the board as entitled to priority over other eligible projects.
- (4) Complies with applicable water quality standards, policies, and plans.

(b) "Federal assistance" means money provided to a municipality, either directly or through allocation by the state, from the federal government to construct eligible projects pursuant to the Clean Water Act.

(c) "Municipality" has the same meaning as defined in the Clean Water Act and also includes the state or any agency, department, or political subdivision thereof, and applicants eligible for assistance under Sections 1329 and 1330 of Title 33 of the United States Code.

(d) "Small community" means a municipality with a population of 5,000 persons or less, or a reasonably isolated and divisible segment of a larger municipality encompassing 5,000 persons or less, with a financial hardship as determined by the board.

(e) "Treatment works" has the same meaning as defined in the Clean Water Act.

78611. There is hereby created in the account both of the following subaccounts:

(a) The State Revolving Fund Loan Subaccount.

(b) The Small Communities Grant Subaccount.

78612. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary or desirable to carry out this article, and may prepare recommendations with regard thereto, including the preparation of comprehensive statewide or areawide studies and reports on the collection, treatment, and disposal of waste under a comprehensive cooperative plan.

78612.5. Not more than 3 percent of the total amount deposited in the State Revolving Fund Loan Subaccount and the Small Communities Grant Subaccount may be used for both of the following purposes:

(a) To pay the costs incurred in connection with the administration of this article.

(b) For the purposes of Section 78612.

78613. The following amounts are hereby transferred from the account to the State Revolving Fund Loan Subaccount and the Small Communities Grant Subaccount and, notwithstanding Section 13340 of the Government Code, continuously appropriated, without regard to fiscal years, from the subaccounts to the board:

(a) Eighty million dollars (\$80,000,000) to the State Revolving Fund Loan Subaccount for the purposes of providing loans pursuant to the Clean Water Act, to aid in the construction or implementation of eligible projects, and for the purposes described in Section 78612.

(b) Thirty million dollars (\$30,000,000) to the Small Communities Grant Subaccount for grants by the board to small communities for construction of eligible treatment works. If, in the judgment of the board, the money in the Small Communities Grant Subaccount will not be expended within a reasonable time, the board may transfer the money to the State Revolving Fund Loan Subaccount to be used for any of the purposes specified in subdivision (a).

(c) The board may transfer unallocated funds from the State Revolving Fund Loan Subaccount to the State Water Pollution Control Revolving Fund for the purposes of meeting federal requirements for state matching funds to provide loans in accordance with the Clean Water Act.

78614. For purposes of subdivision (a) of Section 78613, the board may make loans to municipalities, pursuant to contract, to aid in the construction or implementation of eligible projects.

78615. For purposes of subdivision (b) of Section 78613, the board may make grants to small communities so that any combined federal and state grant does not exceed 97½ percent of the eligible cost of necessary studies, planning, design, and construction of the eligible project determined in accordance with applicable state law and regulations. The total amount of grants made pursuant to subdivision (b) of Section 78613, for any single project, may not exceed three million five hundred thousand dollars (\$3,500,000).

78616. Any contract entered into pursuant to this article for loans or grants may include provisions determined by the board, and shall include all of the following provisions:

(a) An estimate of the reasonable cost of the project.

(b) A description of the type of assistance being offered.

(c) An agreement by the board to pay to the entity, during the progress of the project or following completion, as agreed upon by the parties, the amount specified in the contract determined pursuant to applicable federal and state laws and regulations.

(d) An agreement by the public entity to proceed expeditiously with, and complete, the project, commence operation of the project upon completion, properly operate and maintain the project in accordance with applicable provisions of law, and provide for payment of the public entity's share of the cost of the project.

78617. All contracts entered into pursuant to this article for loans or grants are also subject to both of the following requirements:

(a) Public entities seeking assistance shall demonstrate, to the satisfaction of the board, that an adequate opportunity for public participation regarding the project has been provided.

(b) Any election held with respect to the project shall include the voters of the entire municipality unless the municipality proposes to accept the assistance on behalf of a specified portion or portions of the municipality, in which case the election shall be held in that portion or portions of the municipality only.

78618. Any loan made pursuant to subdivision (a) of Section 78613 shall be for a period not to exceed 20 years, with an interest rate set in accordance with Section 13480.

78619. All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the State Revolving Fund Loan Subaccount for additional loans under subdivision (a) of Section 78613, and shall not be transferred the General Fund.

Article 3. Water Recycling Program

78620. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Eligible recycling project" means a water reclamation project that meets applicable

reclamation criteria and water reclamation requirements and that complies with applicable water quality standards, policies, and plans.

(b) "Subaccount" means the Water Recycling Subaccount created by Section 78621.

78621. (a) (1) There is hereby created in the account the Water Recycling Subaccount. The sum of sixty million dollars (\$60,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

(2) All money repaid to the state pursuant to any contract executed under the Clean Water and Water Reclamation Bond Law of 1988 (Chapter 17 (commencing with Section 14050) of Division 7) shall be deposited in the subaccount for the purposes of subdivision (b).

(b) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the board for loans to public agencies to construct, operate, and maintain eligible recycling projects, for loans to aid in the design and construction of eligible recycling projects, for grants in accordance with Section 78628, and for the purposes described in Section 78629 and subdivision (a) of Section 78630.

78622. The board may enter into contracts to make loans to public agencies for the purposes set forth in this article. Factors to be considered by the board in determining whether to enter into a contract under this article may include, but are not limited to, whether the project is cost-effective or necessary to protect water quality.

78623. Any contract for a loan entered into pursuant to Section 78622 may include those provisions determined by the board to be necessary for purposes of this chapter and shall include both of the following provisions:

(a) An estimate of the reasonable cost of the eligible recycling project.

(b) An agreement by the public agency to proceed expeditiously with, and complete, the eligible recycling project, commence operation of the project in accordance with applicable provisions of law, and provide for the payment of the public agency's share of the cost of the project, including the principal of, and interest on, the loan.

78624. (a) A contract for a loan may not provide for a moratorium on the payment of the principal of, or interest on, the loan.

(b) Any loan made pursuant to Section 78622 shall be for a period not to exceed 20 years.

(c) The board may enter into a contract for a loan of up to 100 percent of the total eligible cost of design and construction of an eligible recycling project.

78625. (a) The board shall establish the interest rate for a loan made pursuant to this article at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method.

(b) If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(c) The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

78626. (a) All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the subaccount for additional loans under subdivision (b) of Section 78621, and shall not be transferred to the General Fund.

(b) The board may transfer any unallocated funds in the subaccount to the Water Reclamation Account in the 1984 State Clean Water Bond Fund for the purposes set forth in Section 13999.10.

78627. All interest earned by assets in the subaccount shall be deposited in the subaccount.

78628. The board may make grants to public agencies for facility planning studies for water reclamation projects. The amount of the grants may not exceed seventy-five thousand dollars (\$75,000) per study.

78629. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out the purposes of this article, and may prepare recommendations with regard thereto, including the preparation of comprehensive statewide or areawide studies and reports on water recycling and the collection, treatment, disposal, and distribution of wastewater under a comprehensive cooperative plan.

78630. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay for both of the following purposes:

(a) To pay the costs incurred in connection with the administration of this article.

(b) For the purposes of Section 78629.

Article 4. Drainage Management

78640. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) (1) "Drainage water management units" means land and facilities for the treatment, storage, conveyance, reduction, or disposal of agricultural drainage water which, if discharged untreated, would pollute or threaten to pollute the waters of the state.

(2) Drainage water management units shall include one or more of the following:

(A) A surface impoundment that is designed to hold an accumulation of drainage water, including, but not limited to, holding, storage, settling, and aeration pits, and lagoons. A surface impoundment does not include a landfill, a land farm, a pile, an emergency containment dike, tank, injection well, evaporation pond, or percolation pond.

(B) Conveyance facilities to the treatment or storage site, including devices for flow regulation.

(C) Facilities or works to treat agricultural drainage water to remove or substantially reduce the level of constituents which pollute or threaten to pollute the waters of the state, including, but not limited to, processes utilizing ion exchange, desalting technologies such as reverse osmosis, and biological treatment.

(D) Facilities or works to reduce the amount of agricultural drainage water discharged, including, but not limited to, source control projects.

(E) Diked areas or cells that are (i) used for the purpose of water conservation, water management, or environmental mitigation and (ii) located within inland bodies of saline water in Imperial and Riverside Counties.

(3) Any or all of the drainage water management units, including the land under the unit, may consist of separable features, or an appropriate share of multipurpose features, of a larger system, or both.

(4) Drainage water management units do not include facilities for the direct discharge of agricultural drainage water to the bay-delta or Pacific Ocean.

(b) "Local agency" or "agency" means any city, county, district, joint powers authority, or other political subdivision of the state involved with water management.

(c) "Project" means drainage water management units.

(d) "Subaccount" means the Drainage Management Subaccount created by Section 78641.

78641. There is hereby created in the account the Drainage Management Subaccount. The sum of thirty million dollars (\$30,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78642. (a) Notwithstanding Section 13340 of the Government Code, the sum of twenty-seven million five hundred thousand dollars (\$27,500,000) in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the board, for loans to local agencies to aid in the construction of drainage water management units for the treatment, storage, or disposal of agricultural drainage water, and for the purposes described in Section 78644. Priority shall be given to funding source reduction projects and programs.

(b) Notwithstanding Section 13340 of the Government Code, the sum of two million five hundred thousand dollars (\$2,500,000) in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the board, for grants to local agencies for the purpose of providing the nonfederal share of the costs specified in Section 1101 of Public Law 102-575.

78643. (a) The board may loan an agency up to 100 percent of the total eligible costs of design and construction of an eligible project.

(b) Any contract for an eligible project entered into pursuant to this article may include provisions as determined by the board to be necessary and shall include, but not be limited to, all of the following provisions:

(1) An estimate of the reasonable cost of the eligible project.

(2) An agreement by the agency to do all of the following:

(A) Proceed expeditiously with, and complete, the eligible project.

(B) Commence operation of the containment structures or treatment works upon completion and to properly operate and maintain the works in accordance with applicable provisions of law.

(C) Provide for payment of the agency's share of the cost of the project, including principal and interest on any state loan made pursuant to this article.

(D) If appropriate, apply for, and make reasonable efforts to secure, federal assistance for the state-assisted project.

(c) All loans made pursuant to this article are subject to all of the following provisions:

(1) Agencies seeking a loan shall demonstrate, to the satisfaction of the board, that an adequate opportunity for public participation regarding the loan has been provided.

(2) Any election held with respect to the loan shall include the voters of the entire agency except where the agency proposes to accept the loan on behalf of a specified portion, or portions, of the agency, in which case the election shall be held in that portion or portions of the agency only.

(3) Loan contracts may not provide a moratorium on payment of principal or interest.

(4) Loans shall be for a period of not more than 20 years. The interest rate for the loans shall be set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method. If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent. The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on loans.

(5) No single project may receive more than five million dollars (\$5,000,000) in loan proceeds from the board under this act and the Water Conservation and Water Quality Bond Law of 1986 (Chapter 6.1 (commencing with Section 13450) of Division 7).

(d) The board may make loans to local agencies, at the interest rates authorized under this article and under any terms and conditions as may be determined necessary by the board, for purposes of financing feasibility studies of projects potentially eligible for funding under this article. No single project shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 3 percent of the total amount of bonds authorized to be expended for the purposes of this article may be expended for loans to finance feasibility studies. A loan for a feasibility study shall not decrease the maximum amount of any other loan which may be made under this article.

78644. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out subdivision (a) of Section 78642.

78645. (a) Any unallocated funds remaining in the Agricultural Drainage Water Account in the 1986 Water Conservation and Water Quality Bond Fund on November 6, 1996, shall be transferred to the subaccount.

(b) Notwithstanding Section 13340 of the Government Code, any funds that are transferred pursuant to subdivision (a) to the subaccount are hereby continuously appropriated, without regard to fiscal years, to the Department of Food and Agriculture for programs to develop methods of using drainage water and reducing toxic materials in drainage water through reuse of the water and the use of the remaining salts. Priority shall be given to source reduction projects and programs.

78645.5. Not more than 3 percent of the total amount deposited in the subaccount for the use of the board may be used to pay for both of the following purposes:

(a) To pay the costs incurred by the board in connection with the administration of this article.

(b) For the purposes of Section 78644.

78645.7. Not more than 3 percent of the total amount deposited in the subaccount for the use of the Department of Food and Agriculture may be used to pay the costs incurred by that department in connection with the administration of this article.

Article 5. Delta Tributary Watershed Program

78647. (a) (1) There is hereby created in the account the Delta Tributary Watershed Subaccount.

(2) For the purposes of this article, "subaccount" means the Delta Tributary Watershed Subaccount created by paragraph (1).

(3) The sum of fifteen million dollars (\$15,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

(b) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal year, to the board for grants for eligible projects in accordance with this article, and for the administration of this article.

78647.2. (a) The board shall administer a program under which a county, or a joint powers authority in which a county is a participant, may submit an application to the board for an eligible project requesting financial or technical assistance for the purpose of developing a voluntary, incentive-based watershed rehabilitation project. The board shall consult with other federal and state resource agencies, including, but not limited to, the Department of Fish and Game and the Department of Forestry and Fire Protection, in the administration of the program. The Resources Agency shall make a written recommendation to the board regarding each application. The board shall consider the recommendations of the Resources Agency and include, when appropriate, the recommendation in the board's final decision.

(b) Notwithstanding subdivision (a), if a county, or a joint powers authority in which a county is a participant, after a request to do so by a local public agency, declines to submit an application for an eligible project for a watershed that is all or in part within the boundaries of the county, a local public agency other than the county or that joint powers agency may submit an application in accordance with subdivision (a).

78647.4. (a) "Eligible project" means a watershed rehabilitation project undertaken on lands owned or operated by the federal, state, or a local government, or a private person or entity within the delta tributary watershed.

(b) For the purposes of this article, "delta tributary watershed" means a watershed which drains into the delta or the Trinity River.

78647.5. An eligible project shall include one or more of the following purposes:

(a) A reduction in the presence of contaminants in drinking water by addressing the origins of the contaminants, including, to the maximum extent practicable, the specific activities that affect the drinking water supply of a community or communities. A project with a purpose described in this subdivision shall address contaminants, including those that are pathogenic organisms, for which a national primary drinking water regulation has been established, and that are detected in the community water system for which the application is submitted at levels above the maximum contaminant level or that are detected by adequate monitoring methods at levels that are not reliably and consistently below the maximum contaminant level.

(b) An increase in the yield of water available from, and water retention capabilities of, the watershed, including projects to reduce dense forest understory, restore upland meadows, and repair stream channels.

(c) The improvement, restoration, or enhancement of fisheries habitat, including riparian habitat, in and along streams and watercourses in the watershed. Projects may address factors which increase sedimentation in streams and watercourses in the watershed.

(d) The improvement of overall forest health, including the reduction of factors which may contribute to the severity of wildfires in the watershed.

78647.6. (a) Every project funded under this article shall comply with state and federal law, regulations, and policies, and shall not degrade the quality of any waters of the state.

(b) An application submitted to the board under this article shall include all of the following information:

(1) An identification of any deficiencies in information that may impair the development or implementation of a project.

(2) A discussion of the efforts undertaken to implement the project and to obtain the participation of both of the following:

(A) Public agencies with relevant responsibilities in the watershed.

(B) Persons and entities in the watershed who may be affected by recommendations of the project and whose participation is essential to the success of the project.

(3) Evidence in the form of a statement from a private person or entity that that person or entity consents to the inclusion of private property in the project, as appropriate.

(4) A monitoring plan to determine whether project purposes are satisfied.

(5) An outline of the way in which project participants will, during the development and implementation of the project, identify and take into account any activities being undertaken by persons or entities in the watershed under federal or state law to rehabilitate the watershed. A project shall include voluntary and incentive-based strategies for the long-term rehabilitation of the watershed.

(6) An identification of the technical, financial, or other assistance that the applicant will request to develop or implement the project.

(7) When feasible, an identification of quantifiable, innovative, and cost-effective methods for achieving project purposes.

78647.7. An application submitted to the board under Section 78647.6 shall also include the following information:

(a) A delineation of the watershed area or areas critical for project purposes using available hydrogeologic or other pertinent information. If no information is available, the project shall conduct, to the extent practicable, vulnerability assessments in the watershed area, including identification of risks to drinking water, a project may use delineations and vulnerability assessments undertaken to identify groundwater sources under a wellhead protection program, surface or groundwater sources under a pesticide management plan, or surface water sources under a state or local watershed initiative, or undertaken in accordance with Subpart H (commencing with Section 141.70) of Part 141 of Title 40 of the Code of Federal Regulations.

(b) An identification, to the maximum extent practicable, of the origins of drinking water contaminants that may be addressed by a project, including, to the maximum extent practicable, a description of the specific activities contributing to the presence of the contaminants in the watershed.

78647.8. The board may approve a grant for an eligible project to develop or implement a project, not to exceed one million dollars (\$1,000,000) per project. A grant shall not exceed 50 percent of the administrative costs incurred, or estimated to be incurred, by the applicant in connection with carrying out the project.

78647.10. (a) After providing notice and an opportunity for public comment with regard to an application submitted under Section 78647.6, the board shall approve or disapprove the application, in whole or in part, not later than 120 days after the date of submission of the

application. The board shall prepare, and transmit to the Resources Agency and the applicant, written findings with regard to the recommendations of the Resources Agency.

(b) The board may approve an application if the application meets the requirements established under this article. The notice of approval shall include all of the following:

(1) The identification of technical, financial, or other assistance that the board agrees provide to assist in the development or implementation of a project.

(2) Any necessary coordination that the board will perform.

(3) A description of any funds available for the purpose of developing and implementing the project, including any funds in a water pollution control revolving fund established in connection with Subchapter VI (commencing with Section 1381) of the Clean Water Act.

(4) A description of other technical or financial assistance that is available under state or federal law for the purpose of developing or implementing the project.

(5) A description of activities that are undertaken, or will be undertaken, to coordinate federal and state programs which are relevant to the watershed that is the subject of the application.

(c) If the board disapproves an application submitted under Section 78647.6, the board shall notify the entity submitting the application in writing of the reasons for disapproval. An application may be resubmitted under either of the following circumstances:

(1) New information becomes available.

(2) Conditions affecting the watershed that is the subject of the application change.

78647.12. The board may adopt regulations to implement this article. The regulations shall include all of the following:

(a) Criteria for the assessment of watershed areas.

(b) Procedures for the submission of applications.

(c) Procedures for the approval or disapproval of an application submitted under Section 78647.6.

78647.14. Grant recipients shall submit a report on completion of the project to the board indicating whether the purposes of the project have been met. The board shall make the report available to interested federal, state, and local agencies.

78647.16. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 6. Seawater Intrusion Control

78648. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) (1) "Eligible seawater intrusion control project" means a project which is all of the following:

(A) Necessary to protect groundwater that is (i) within a basin that is subject to a local groundwater management plan for which a review is completed pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) and (ii) is threatened by seawater intrusion in an area where restrictions on groundwater pumping, a physical solution, or both, are necessary to prevent the destruction of, or irreparable injury to, groundwater quality.

(B) Is cost-effective. In the case of a project to provide a substitute water supply, a project shall be cost-effective as compared to the development of other new sources of water and shall include requirements or measures adequate to ensure that the substitute supply will be used in lieu of previously established extractions or diversions of groundwater.

(C) Complies with applicable water quality standards, policies, and plans.

(2) Eligible projects may include, but are not limited to, water conservation, freshwater well injection, and substitution of groundwater pumping from local surface supplies.

(b) "Local agency" means any city, county, district, joint powers authority, or other political subdivision of the state involved in water management.

(c) "Subaccount" means the Seawater Intrusion Control Subaccount created by Section 78648.2.

78648.2. (a) There is hereby created in the account the Seawater Intrusion Control Subaccount. The sum of ten million dollars (\$10,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

(b) Notwithstanding Section 11340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal year, to the board for loans to local agencies to carry out eligible seawater intrusion control projects and for the purposes described in this article, and for the administration of this article.

78648.4. The board may enter into contracts to make loans to local agencies for the purposes set forth in this article.

78648.6. Any contract for a loan entered into pursuant to Section 78648.4 may include those provisions determined by the board to be necessary for purposes of this article and shall include both of the following provisions:

(a) An estimate of the reasonable cost of the eligible seawater intrusion control project.

(b) An agreement by the local agency to proceed expeditiously with, and complete, the eligible seawater intrusion control project, commence operation of the project in accordance with applicable provisions of law, and provide for the payment of the local agency's share of the cost of the project, including the principal of, and interest on, the loan.

78648.8. (a) A contract for a loan may not provide for a moratorium on the payment of the principal of, or interest on, the loan.

(b) Any loan made pursuant to Section 78648.4 shall be for a period not to exceed 20 years.

(c) The board may enter into a contract for a loan up to 100 percent of the total eligible cost of design and construction of an eligible seawater intrusion control project.

78648.10. (a) The board shall establish the interest rate for a loan made pursuant to this article at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method.

(b) If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(c) The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

78648.12. All principal and interest payments received pursuant to loan contracts entered into pursuant to this article shall be deposited in the subaccount.

78648.14. The board may, by contract or otherwise, undertake plans, surveys, research, development, and studies necessary, convenient, or desirable to carry out the purposes of this article.

78648.16. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay for both of the following:

- (a) To pay the costs incurred in connection with the administration of this article.
- (b) For the purposes of Section 78648.14.

Article 7. Lake Tahoe Water Quality

78650. Unless the context otherwise requires, as used in this article, "subaccount" means the Lake Tahoe Water Quality Subaccount created by Section 78650.2.

78650.2. (a) There is hereby created in the account the Lake Tahoe Water Quality Subaccount. The sum of ten million dollars (\$10,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

(b) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the California Tahoe Conservancy for the purposes of directly undertaking, or for grants to public agencies for, land acquisition and improvement programs which control soil erosion, restore watersheds, or preserve environmentally sensitive lands and the natural environment, and related implementation costs, pursuant to Title 7.42 (commencing with Section 66905) of the Government Code.

78650.4. Any acquisition pursuant to this article shall be from willing sellers.

CHAPTER 6. WATER SUPPLY RELIABILITY

Article 1. General Provisions

78651. Unless the context otherwise requires, as used in this chapter, "account" means the Water Supply Reliability Account created by Section 78652.

78652. The Water Supply Reliability Account is hereby created in the fund. The sum of one hundred seventeen million dollars (\$117,000,000) is hereby transferred from the fund to the account.

Article 2. Feasibility Projects

78655. (a) (1) There is hereby created in the account the Feasibility Projects Subaccount.

(2) For the purposes of this article, "subaccount" means the Feasibility Projects Subaccount created by paragraph (1).

(b) The sum of ten million dollars (\$10,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78656. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal year, to the department, for the administration of this article and for feasibility and environmental investigations for any of the following projects:

(a) Off-stream storage upstream of the delta that will provide storage and flood control benefits in an environmentally sensitive and cost-effective manner.

(b) Regional water recycling that may include partnerships or other cooperative efforts undertaken by water agencies, wastewater dischargers, or other public agencies to collect and reuse treated municipal wastewater for agricultural, industrial, residential, and environmental purposes.

(c) Water transfer facilities in a county of the third class that would increase capacity for delivering Colorado River water for use in the southern California coastal plain and reduce demands on the bay-delta.

(d) Desalination.

78657. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 3. Water Conservation and Groundwater Recharge

78670. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) (1) "Groundwater recharge facilities" means land and facilities for artificial groundwater recharge through methods which include, but are not limited to, percolation using basins, pits, ditches and furrows, modified streambed, flooding, and well injection and in-lieu recharge. "Groundwater recharge facilities" also means capital outlay expenditures to expand, renovate, or restructure land and facilities already in use for the purpose of groundwater recharge and to acquire additional land for retention and detention basins.

(2) Groundwater recharge facilities may include any of the following:

(A) Instream facilities for regulation of water levels, but not regulation of streamflow to accomplish diversion from the waterway.

(B) Agency-owned facilities for extraction.

(C) Conveyance facilities to the recharge site, including devices for flow regulation and measurement of recharge waters.

(3) Any part or all of the project facilities, including the land under the facilities, may consist of the separable features, or an appropriate share of multipurpose features, of a larger system, or both.

(b) "In-lieu recharge" means accomplishing increased storage of groundwater by providing interruptible surface water to a user who relies on groundwater as a primary supply, to accomplish groundwater storage through the direct use of that surface water in lieu of pumping groundwater. In-lieu recharge is used instead of continuing pumping while artificially recharging with the interruptible surface waters. However, bond proceeds may not be used to purchase surface water for use in lieu of pumping groundwater.

(c) "Local agency" or "agency" means any city, county, district, joint powers authority, or other political subdivision of the state involved with water management.

(d) "Project" means both of the following:

(1) Groundwater recharge facilities.

(2) Voluntary, cost-effective capital outlay water conservation programs.

(e) "Subaccount" means the Water Conservation and Groundwater Recharge Subaccount created by Section 78671.

(f) (1) "Voluntary, cost-effective capital outlay water conservation programs" mean those

feasible capital outlay measures to improve the efficiency of water use through programs, the benefits of which exceed their costs.

(2) (A) The programs include, but are not limited to, all of the following:

(i) The lining or piping of ditches.

(ii) Improvements in water distribution system controls such as automated canal control, construction of small reservoirs within distribution systems that conserve water that has already been captured for use, and related physical improvements.

(iii) Tailwater pumpback recovery systems.

(iv) Major improvements or replacements of distribution systems to reduce leakage.

(v) Capital changes in on-farm irrigation systems which improve irrigation efficiency such as sprinkler or subsurface drip.

(vi) Capital outlay features of urban water conservation programs identified in the "Memorandum of Understanding Regarding Urban Water Conservation in California," as amended on March 9, 1994.

(vii) Conveyance facilities in a county of the third class, including appurtenances, necessary to implement a long-term conservation program to transfer conserved water from areas not directly receiving water from the bay-delta to areas that receive water from the bay-delta and whose demands on the bay-delta would be reduced as a result of the transfer.

(B) In each case, the department shall determine if there is a net savings of water as a result of each proposed project and the project is cost-effective.

78671. (a) There is hereby created in the account the Water Conservation and Groundwater Recharge Subaccount. The sum of thirty million dollars (\$30,000,000) is hereby transferred from the account to the subaccount.

(b) Notwithstanding Section 13340 of the Government Code, the sum of twenty-five million dollars (\$25,000,000) is hereby continuously appropriated, without regard to fiscal years, to the department, for loans to local agencies to aid in the acquisition and construction of voluntary, cost-effective capital outlay water conservation programs and groundwater recharge facilities.

78672. Any loan contract entered into pursuant to this article may include provisions determined to be necessary by the department.

78672.5. (a) Any loan contract concerning an eligible, voluntary, cost-effective capital outlay water conservation program shall be supported by, or shall include, all of the following:

(1) An estimate of the reasonable cost and benefit of the program.

(2) An agreement by the local agency to proceed expeditiously with, and complete, the program.

(3) A provision that there shall be no moratorium or deferment on payments of principal or interest.

(4) A loan period of not more than 20 years with an interest rate set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method. If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent. The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

(5) A provision that the project shall not receive any more than five million dollars (\$5,000,000) in loan proceeds from the department.

(b) The department shall give preference for loans under this section on the basis of the cost-effectiveness of the proposed project, with the most cost-effective projects receiving the highest preference.

78673. (a) Any loan contract concerning an eligible project for groundwater recharge shall be supported by, or shall include, all of the following:

(1) A finding by the department that the agency has the ability to repay the requested loan, that the project is economically justified, and that the project is feasible from an engineering and hydrogeologic viewpoint.

(2) An estimate of the reasonable cost and benefit of the project, including a feasibility report which shall set forth the economic justification and the engineering, hydrogeologic, and financial feasibility of the project, and shall include explanations of the proposed facilities and their relation to other water-related facilities in the basin or region.

(3) An agreement by the agency to proceed expeditiously to complete the project in conformance with the approved plans and specifications and the feasibility report and to operate and maintain the project properly upon completion throughout the repayment period.

(4) A provision that there shall be no moratorium or deferment on payment of principal or interest.

(5) A loan period of not more than 20 years with an interest rate set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method. If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent. The interest rate set for each contract shall be applied throughout the repayment period of the contract. There shall be a level annual repayment of principal and interest on the loans.

(6) A provision that the project shall not receive more than five million dollars (\$5,000,000) in loan proceeds from the department.

(b) The department shall give preference under this section to projects for groundwater recharge that are located in overdrafted groundwater basins and those projects of critical need, to projects whose feasibility studies show the greatest economic justification and the greatest engineering and hydrogeologic feasibility as determined by the department, and to projects located in areas which have existing water management programs.

78674. The department may make loans to local agencies, at the interest rates authorized under this article and under any terms and conditions as may be determined necessary by the department, for the purposes of financing feasibility studies of projects potentially eligible for funding under this article. No single project shall be eligible to receive more than one hundred thousand dollars (\$100,000), and not more than 3 percent of the total amount of bonds authorized to be expended for purposes of this article may be expended for the purposes of financing feasibility studies. A loan for a feasibility study shall not decrease the maximum amount of any other loan which may be made under this article.

78675. Any repayments of loans made pursuant to this article, including interest payments, and all interest earned on, or accruing to, any money in the subaccount, shall be

deposited in the subaccount and shall be available for the uses described in this article.

78675.5. Notwithstanding Section 13340 of the Government Code, the sum of five million dollars (\$5,000,000) in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department for a grant to a local agency for the development of supplemental water sources, distribution systems, and recharge facilities in a watershed that is in a state of overdraft and whose ability to locally finance the facilities has been adversely affected by the Base Closure and Realignment Act of 1990 (P.L. 101-510).

78676. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 4. Local Projects

78680. (a) (1) There is hereby created in the account the Local Projects Subaccount.

(2) For the purposes of this article "subaccount" means the Local Projects Subaccount created by paragraph (1).

(3) The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

(b) Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department, for grants and loans in accordance with this article, and for the administration of this article.

78680.2. It is the intent of this article to finance a program to further the development, control, and conservation of the water resources of the state by assisting public agencies in the construction of eligible projects undertaken to meet local requirements in which there is a statewide interest.

78680.4. The following definitions govern the construction of this article:

(a) "Feasibility study" means a report on the feasibility of a project, dam, or reservoir. A feasibility study may include an environmental impact report prepared pursuant to Division 13 (commencing with Section 21000) of the Public Resources Code.

(b) "Project" means any of the following:

(1) The construction of a conveyance facility, pumping facility, groundwater extraction facility, clear or ranney well, or facility for diversion from existing storage or conveyance facilities undertaken by a public agency for the diversion, storage, or distribution of water primarily for domestic, municipal, agricultural, industrial, recreation, or fish and wildlife mitigation and enhancement purposes.

(2) Fish and wildlife mitigation and enhancement measures undertaken by a public agency, including the acquisition of lands which may be necessary for the mitigation of significant impact on fish and wildlife resources resulting from the implementation of a project undertaken pursuant to paragraph (1).

(c) "Public agency" means any city, county, city and county, special district or other political subdivision of the state, including a joint powers entity created pursuant to Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, in a county of the 22nd class or any county having a smaller population than a county of the 22nd class on the date on which this division becomes effective.

78680.6. The department shall carry out this article and shall give preference to projects undertaken to develop new water supplies and to mitigate significant environmental impacts resulting from those projects.

78680.8. Applications for grants or loans for financial assistance under this article shall be made to the department in the form and with those supporting materials that are prescribed by the department.

78680.10. (a) The department may make grants to public agencies for feasibility studies.

(b) The amount of the grants may not exceed five hundred thousand dollars (\$500,000).

78680.12. (a) The department may make loans to public agencies for projects. Loans for a single project may not exceed five million dollars (\$5,000,000).

(b) All loan applications shall include information relating to the public necessity of the project, the urgency of need, the engineering feasibility, the economic justification, and the financial feasibility of the project, as well as other information that the department may require.

(c) All loans made pursuant to this section are subject to all of the following requirements:

(1) Public agencies requesting a loan shall demonstrate, to the satisfaction of the department, that an adequate opportunity for public participation regarding the loan has been provided.

(2) Any election held with respect to the loan shall include the voters of the entire agency except where the agency proposes to accept the loan on behalf of a specified portion, or portions, of the agency, in which case the election shall be held only in that portion or portions of the agency.

(3) Loan contracts may not provide for a moratorium on payment of principal or interest.

(4) Loans shall be for a period of up to 20 years. The interest rate for the loans shall be set at a rate of equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, to be computed according to the true interest cost method. If the interest rate so determined is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent. The interest rate set for each contract shall be applied throughout the contract's repayment period. There shall be a level annual repayment of principal and the interest on the loans.

78680.14. (a) The department may also make loans to public agencies for the acquisition of interest in lands that are necessary for the construction, operation, or maintenance of a project.

(b) Loans granted pursuant to this section shall be subject to all of the following conditions:

(1) The loan may be made for all or any part of the costs of acquiring interests in lands for a project that has been identified as the preferred alternative in an environmental impact report or an environmental impact statement, and the lands may become unavailable to the public agency for the purposes of developing that project.

(2) The loans shall not exceed one million dollars (\$1,000,000) for each acquisition under this section.

(3) Each loan granted pursuant to this section is subject to subdivision (c) of Section 78680.12.

78680.16. Each contract which the department enters into for a loan pursuant to Section 78680.14 shall require the sale of the interests in lands that are acquired with the loan funds if, in the department's determination, the construction of the project has not commenced

within a period of two years from the date of the first disbursement of loan funds under the contract or within any extension of such period that is granted by the department. In that event, the contract shall require that the interests in lands be offered for sale within six months from the expiration of the two-year period, or any extension thereof, and shall require that the proceeds of the sale be applied toward the repayment of the principal amount of the loan and toward the payment of the accrued interest thereon. Any remaining proceeds, after deducting the administrative costs of the public agency identified in connection with the purchase and sale of the interests in lands, shall be repaid to the department.

78680.18. Notwithstanding any provision of law, any land acquired with the use of loan funds made available pursuant to Section 78680.14, that is located outside the boundaries of the public agency acquiring the land and which was subject to taxation at the time of acquisition thereof, shall remain subject to taxation.

78680.20. (a) The department may adopt regulations to carry out this article. Notwithstanding any provisions of law, regulations adopted by the department pursuant to Chapter 2.3 (commencing with Section 450.1) of Division 2 of Title 23 of the California Code of Regulations that are in effect on November 6, 1996, may be used to carry out this article.

(b) Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

Article 5. Sacramento Valley Water Management and Habitat Protection Measures

78681. (a) There is hereby created in the account the Sacramento Valley Water Management and Habitat Protection Subaccount.

(b) For the purposes of this article, "subaccount" means the Sacramento Valley Water Management and Habitat Protection Subaccount created by subdivision (a).

78681.2. The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78681.4. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department, for programs or projects in the Sacramento Valley to assist in the implementation of the Water Quality Control Plan for the Bay-Delta adopted by the board in Resolution No. 95-24 on May 22, 1995, and as it may be amended.

78681.8. The board shall provide adequate public review for proposed programs or projects and shall determine that those programs or projects are consistent with the requirements of Section 78681.4.

78681.9. Only the programs or projects that are not the obligation of the federal Central Valley Project or the State Water Project may be funded under this article.

78681.10. Not more than 3 percent of the total amount deposited in the subaccount for the use of the department may be used to pay the costs incurred in connection with the administration of this article by the department.

Article 6. River Parkway Program

78682. (a) (1) There is hereby created in the account the River Parkway Subaccount.

(2) For the purposes of this article, "subaccount" means the River Parkway Subaccount created by paragraph (1).

(b) The sum of twenty-seven million dollars (\$27,000,000) is hereby transferred from the account to the subaccount for the purpose of implementing this article.

78682.2. The money in the subaccount shall be made available, upon appropriation by the Legislature, for the acquisition and restoration of riparian habitat, riverine aquatic habitat, and other lands in close proximity to rivers and streams and for river and stream trail projects undertaken in accordance with any of the following provisions:

(a) Chapter 4 (commencing with Section 1300) and Chapter 4.1 (commencing with Section 1385) of Division 2 of the Fish and Game Code.

(b) Chapter 5 (commencing with Section 31200), Chapter 6 (commencing with Section 31251), and Chapter 9 (commencing with Section 31400), of Division 21 of the Public Resources Code.

(c) Division 22.5 (commencing with Section 32500) of the Public Resources Code.

(d) Urban river park acquisition and restoration projects undertaken pursuant to Division 23 (commencing with Section 33000) of the Public Resources Code.

(e) River parkway projects undertaken by a state agency, city, county, city and county, or pursuant to a joint powers agreement between two or more of these entities.

78682.4. At least 50 percent of the funds in the subaccount shall be used for projects that are located in, or in close proximity to, major metropolitan areas.

78682.6. Not more than 3 percent of the total amount deposited in the subaccount may be used to pay the costs incurred in connection with the administration of this article.

CHAPTER 7. CALFED BAY-DELTA ECOSYSTEM RESTORATION PROGRAM

78684. Unless the context otherwise requires, all of the following definitions govern the construction of this chapter.

(a) "Account" means the Bay-Delta Ecosystem Restoration Account created by Section 78684.6.

(b) "Bay-delta ecosystem" means the bay-delta and its tributary watersheds.

(c) "CALFED Bay-Delta Program" or "program" means the undertaking by CALFED to develop, by means of the programmatic EIS/EIR, a preferred alternative of programs, actions, projects, and related activities which will provide solutions to identified problem areas related to the bay-delta ecosystem.

(d) (1) "Eligible project" means a project or program, or an element of a project or program, identified in the final programmatic EIS/EIR, that is intended to improve and increase aquatic and terrestrial habitats and improve ecological functions in the bay-delta ecosystem.

(2) Eligible projects may include, but are not limited to, projects or programs with any of the following purposes:

(A) The protection and enhancement of existing habitat.

(B) The restoration of tidal, shallow water, riparian, riverine, wetlands, and oth. habitats.

(C) The expansion of wetlands protection programs.

(D) The acquisition of water for instream flow improvements.

(E) Improved habitat management.

(F) Improved management of introduced species.

(G) Improved fish protection and management.

(3) Eligible projects shall not include any of the following:

(A) Any water conveyance facilities.

(B) Any component of the CALFED Bay-Delta Program that is not identified in the final grammatic EIS/EIR as a component of the ecosystem restoration element.

(C) Any programs or projects undertaken to offset or avoid adverse environmental conditions which the final programmatic EIS/EIR determines would be caused by the construction, operation, or implementation of any element of the CALFED Bay-Delta Program other than the ecosystem restoration element.

(e) "Programmatic EIS/EIR" means the programmatic environmental impact statement/environmental impact report that is prepared by CALFED for the CALFED Bay-Delta Program.

78684.2. The Legislature hereby finds and declares all of the following:

(a) CALFED is in the process of preparing a programmatic EIS/EIR for a long-term comprehensive plan that will resolve problems related to ecosystem restoration, water quality, water supplies, and water management for beneficial uses of the bay-delta ecosystem, and system integrity.

(b) The CALFED Bay-Delta Program, to the extent that it relates to restoration in the bay-delta ecosystem, is of statewide and national importance. The state should participate in the funding of eligible projects as a part of its ongoing program to improve environmental conditions in the bay-delta ecosystem.

(c) The programmatic EIS/EIR will include a schedule for funding and implementing all elements of the long-term comprehensive plan.

(d) The CALFED Bay-Delta Program elements will achieve balanced solutions in all identified problem areas, including the ecosystem, water supply, water quality, and system integrity.

78684.4. This chapter does not authorize implementation of the CALFED Bay-Delta Program or any element of the program. The implementation of the CALFED Bay-Delta Program, or any element of the program, shall only be undertaken pursuant to authority provided by law other than this division.

78684.6. (a) The Bay-Delta Ecosystem Restoration Account is hereby created in the fund for the purpose of funding eligible projects. The sum of three hundred ninety million dollars (\$390,000,000) is hereby transferred from the fund to the account.

(b) Notwithstanding Section 13340 of the Government Code, the money in the account is hereby continuously appropriated, without regard to fiscal years, to the Resources Agency for the purposes set forth in this chapter, and for the administration of this chapter.

78684.8. The Secretary of the Resources Agency shall carry out this chapter in accordance with procedures established by CALFED for the purposes of ecosystem restoration until the Legislature, by statute, authorizes another entity, that is recommended by CALFED, to carry out this chapter.

78684.10. No funds in the account may be expended until all of the following conditions have been met:

(a) The final programmatic EIS/EIR has been certified by the state lead agency and a ce of determination has been issued as required by Division 13 (commencing with Section 1000) of the Public Resources Code.

(b) The identical final programmatic EIS/EIR has been filed by the federal lead agencies with the Environmental Protection Agency, the required notice has been published in the Federal Register, and there has been federal approval of the identical program approved by the state.

(c) A cost-sharing agreement has been entered into by the State of California and the United States, pursuant to which the United States agrees to share in the costs of eligible projects.

78684.12. Due to the importance of issuing permits and otherwise expediting all elements of the CALFED Bay-Delta Program in a timely and balanced manner, the following procedures apply to the use of funds authorized by this chapter:

(a) After the requirements set forth in Section 78684.10 are met, funds in the account shall become available for use in accordance with the schedule for eligible projects set forth in the final programmatic EIS/EIR, unless and until the Secretary of the Resources Agency determines that the schedule established in the final programmatic EIS/EIR has not been substantially adhered to.

(b) Prior to November 15 of each year, the Secretary of the Resources Agency, in consultation with state and federal CALFED representatives and other interested persons and agencies, shall review adherence to the schedule.

(c) The absence of funding from nonfederal or nonstate sources shall not be a basis for a determination that the schedule has not been adhered to.

(d) If, at the conclusion of each annual review, the Secretary of the Resources Agency determines that the schedule established in the final programmatic EIS/EIR, or a revised schedule prepared pursuant to this subdivision, has not been substantially adhered to, the secretary, after notice to, and consultation with, state and federal CALFED representatives and other interested persons and agencies, shall prepare a revised schedule that ensures that balanced solutions in all identified problem areas, including ecosystem restoration, water supply, water quality, and system integrity are achieved, consistent with the intent of the final programmatic EIS/EIR. Funds shall be available for expenditure unless a revised schedule has not been developed within six months from the date on which the secretary determines that the prior schedule has not been substantially adhered to. Upon the preparation of any revised schedule under this subdivision, funds shall be expended in accordance with that revised schedule.

(e) Specific project and program decisions involving the expenditure of funds in the account shall be made in accordance with the procedures established by CALFED for the ecosystem restoration program.

78684.13. On or before December 15 of each year, the Secretary of the Resources Agency shall submit an annual report to the Legislature that describes the status of the implementation of all elements of the CALFED Bay-Delta Program, any determinations made by the secretary pursuant to subdivisions (b) and (d) of Section 74684.12, and other significant scheduling issues. The report also shall include a detailed accounting of expenditures, descriptions of programs for which expenditures have been made, and a schedule of anticipated expenditures for the next year.

78684.14. Not more than 3 percent of the total amount deposited in the account may be used to pay the costs incurred in connection with the administration of this chapter.

CHAPTER 8. FLOOD CONTROL AND PREVENTION PROGRAM

Article 1. Definitions

78686. Unless the context otherwise requires, as used in this chapter, "account" means the Flood Control and Prevention Account created by Section 78686.10.

Article 2. Flood Control and Prevention Program

78686.10. The Flood Control and Prevention Account is hereby created in the fund. The sum of sixty million dollars (\$60,000,000) is hereby transferred from the fund to the account.

78686.12. (a) Notwithstanding Section 13340 of the Government Code, the money in the account is hereby continuously appropriated, without regard to fiscal years, to the department for the purposes set forth in subdivision (b).

(b) (1) The money in the account shall be used to pay for the state's share of the nonfederal costs of flood control and flood prevention projects that have been adopted and authorized in accordance with one or more of the following provisions of law:

(A) The State Water Resources Law of 1945 (Chapter 1 (commencing with Section 12570) and Chapter 2 (commencing with Section 12630) of Part 6 of Division 6).

(B) The Flood Control Law of 1946 (Chapter 3 (commencing with Section 12800) of Part 6 of Division 6).

(C) The California Watershed Protection and Flood Prevention Law (Chapter 4 (commencing with Section 12850) of Part 6 of Division 6).

(2) The money in the account may only be used to pay for costs for which valid written claims have been submitted to the department on or before June 30, 1996. Funds which are made available under this chapter shall be allocated on a pro rata basis to projects in the Counties of Contra Costa, Fresno, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Santa Clara, based on the amount of available funds relative to the total eligible claims.

CHAPTER 9. MISCELLANEOUS

78688. Nothing in this division diminishes, or otherwise affects, the requirements of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) or the National Environmental Policy Act of 1969 (42 U.S.C. Sec. 4321 et seq.).

CHAPTER 10. FISCAL PROVISIONS

78690. The proceeds of bonds issued and sold pursuant to this division shall be deposited in the State Treasury to the credit of the Safe, Clean, Reliable Water Supply Fund, created by Section 78505.

78691. Bonds in the total amount of nine hundred ninety-five million dollars (\$995,000,000), not including the amount of any refunding bonds issued in accordance with Section 78700, or as much thereof as is necessary, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this division and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

78692. (a) The bonds authorized by this division shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this division and are hereby incorporated in this division as though set forth in full in this division.

(b) For purposes of the State General Obligation Bond Law, the State Water Resources Control Board is designated the "board."

78693. Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this division, the Safe, Clean, Reliable Water Supply Finance Committee is hereby created. For purposes of this division, the Safe, Clean, Reliable Water Supply Finance Committee is the "committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Treasurer, the Controller, and the Director of Finance, or their designated representatives. A majority of the committee may act for the committee.

78694. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this division in order to carry out the actions specified in this division and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

78695. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act which is necessary to collect that additional sum.

78696. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund in the State Treasury, for the purposes of this division, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this division, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 78697, appropriated without regard to fiscal years.

78697. For the purposes of carrying out this division, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds which have been authorized by the committee to be sold for the purpose of carrying out this division. Any amount withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund, plus an amount equal to the interest that the money would have earned in the Pooled Money Investment Account, from money received from the sale of bonds for the purpose of carrying out this division.

78698. All money deposited in the fund that is derived from premium and accrued interest

on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

78699. The State Water Resources Control Board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code for the purposes of carrying out this division. The amount of the request shall not exceed the amount of the unsold bonds which the committee, by resolution, has authorized to be sold for the purpose of carrying out this division. The State Water Resources Control Board shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the State Water Resources Control Board in accordance with this division.

78700. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this division includes the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

78701. Notwithstanding any provision of this division or the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this division that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and the investment earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or to take any other action with respect to the investment and use of bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

78702. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this division are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

SEC. 2. Section 13459.5 is added to the Water Code, to read:

13459.5. Unallocated funds remaining in the Agricultural Drainage Water Account in the 1986 Water Conservation and Water Quality Bond Fund on November 6, 1996, shall be

transferred to the Drainage Management Subaccount, created by Section 78641, of the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund for the purposes of subdivision (b) of Section 78645.

SEC. 3. Section 14058 of the Water Code is amended to read:

14058. (a) The sum of thirty million dollars (\$30,000,000) of the money in the fund shall be deposited in the Water Reclamation Account and, notwithstanding Section 1334C of the Government Code, is hereby continuously appropriated to the board for the purposes of this section.

(b) The board may enter into contracts with local public agencies having authority to construct, operate, and maintain water reclamation projects, for loans to aid in the design and construction of eligible water reclamation projects. The board may loan up to 100 percent of the total eligible cost of design and construction of an eligible reclamation project.

(c) Any contract for an eligible water reclamation project entered into pursuant to this section may include such provisions as determined by the board and shall include both of the following provisions:

(1) An estimate of the reasonable cost of the eligible water reclamation project.

(2) An agreement by the local public agency to proceed expeditiously with, and complete, the eligible water reclamation project; commence operation of the project in accordance with applicable provisions of law, and provide for the payment of the local public agency's share of the cost of the project, including principal and interest on any state loan made pursuant to this section.

(d) Loan contracts may not provide for a moratorium on payments of principal or interest.

(e) Any loans made from the fund may be for a period of up to 20 years. The interest rate for the loans shall be set at a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, with that rate to be computed according to the true interest cost method. When the interest rate so determined, is not a multiple of one-tenth of 1 percent, the interest rate shall be set at the next higher multiple of one-tenth of 1 percent.

(f) All money repaid to the state pursuant to any contract executed under this chapter shall be deposited in the General Fund as reimbursement for the payment of principal and interest on bonds authorized to be issued under this chapter. Water Recycling Subaccount, created by Section 78621, of the Clean Water and Water Recycling Account in the Safe, Clean, Reliable Water Supply Fund, for the purposes set forth in subdivision (b) of Section 78621.

Proposition 205: Text of Proposed Law

This law proposed by Assembly Bill 3116 (Statutes of 1996, Chapter 160) is submitted to the people in accordance with the provisions of Article XVI of the Constitution.

This proposed law adds sections to the Penal Code; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. Title 4.95 (commencing with Section 4498) is added to Part 3 of the Penal Code, to read:

TITLE 4.95. YOUTHFUL AND ADULT OFFENDER LOCAL FACILITIES BOND ACT OF 1996

CHAPTER 1. GENERAL PROVISIONS

4498. This title shall be known and may be cited as the Youthful and Adult Offender Local Facilities Bond Act of 1996.

4498.1. The Legislature finds and declares all of the following:

(a) It is the intent of the Legislature to provide funding for the capital construction of local facilities for the treatment, rehabilitation, and punishment of juvenile offenders. Counties do not have sufficient options for providing a continuum of care for juvenile offenders that provides for all of the following:

(1) Effecting swift, certain, and effective correctional treatment and penalties for all juvenile offenders.

(2) Treating offenders whose criminality results from substance abuse or mental disorders.

(3) Requiring community service when appropriate.

(4) Ensuring appropriate supervision in secure and nonsecure settings.

(5) Promoting integrated service provisions for governmental and community-based organizations.

(6) Providing alternatives to commitment to the Youth Authority.

(b) Public safety is a primary function and consideration of government. As evidenced by the overwhelming support for Proposition 184, the "Three Strikes Initiative," on the November 8, 1994, general election ballot, the people of the State of California are demanding that violent, serious, and repeat felons be incarcerated with longer sentences. The passage of Proposition 184 is expected to adversely impact the capacity of local correctional facilities, creating a serious safety risk.

(c) Numerous county adult and juvenile facilities throughout California are dilapidated and overcrowded, and expansion of available bed capacity is critical. Capital improvements are necessary to protect the life and safety of persons confined or employed in these facilities, and to upgrade health and sanitary conditions to avoid threatened closures or the imposition of court-ordered sanctions.

4498.2. As used in this title, the following terms have the following meanings:

(a) "Committee" means the 1996 Youthful and Adult Offender Local Facilities Bond Finance Committee created pursuant to Section 4499.

(b) "Fund" means the 1996 Youthful Offender Local Facilities Bond Fund or the 1996 Adult Offender Local Facilities Bond Fund, created pursuant to Section 4498.3.

CHAPTER 2. PROGRAM

4498.3. Of the proceeds of bonds issued and sold pursuant to this title, three hundred fifty million dollars (\$350,000,000) shall be deposited in the 1996 Youthful Offender Local Facilities Bond Fund, which is hereby created, and three hundred fifty million dollars (\$350,000,000) shall be deposited in the 1996 Adult Offender Local Facilities Bond Fund, which is hereby created.

4498.4. (a) Moneys in the 1996 Youthful Offender Local Facilities Bond Fund shall be used for the construction, renovation to increase or maintain capacity, remodeling, and replacement of local facilities for the treatment, rehabilitation, and punishment of juvenile offenders, and may be used for capital improvements, rehabilitation, or renovation performed by local juvenile community service work crews. Up to 1½ percent of moneys in the fund may be used by the Board of Corrections for administration of this title.

(b) In order to be eligible to receive money for the purposes specified in this section, a county shall apply in the manner and form prescribed by the Board of Corrections.

(c) Allocation of funds shall be subject to future appropriation by the Legislature, and shall be made based on the following criteria:

(1) County matching funds of at least 25 percent are provided as determined by the Legislature, except that this requirement may be modified or waived by the Legislature by statute where it determines that it is necessary to facilitate the expeditious and equitable construction of local correctional facilities. The greater the percentage of matching funds that a county provides, the higher priority the county shall be given for allocation of moneys.

(2) The county, or a group of counties acting together, has developed a plan that identifies the county continuum of care model for prevention, intervention, supervision, treatment, and detention of juvenile offenders. The plan shall identify how the county will maximize all funding sources (local criminal justice, local social services, federal and state programs, and education) for providing appropriate services for juvenile offenders. The plan shall demonstrate that the county has utilized, to the greatest extent practicable, alternatives to detention. The plan also shall identify the capital needs for fully providing the services outlined in the county model.

(d) Counties that have begun to plan, construct, or renovate facilities after January 1, 1995, but prior to the enactment of this title, remain eligible to receive state matching funds.

(e) Counties that contract with private providers for treatment or other services for offenders are eligible to apply for moneys from the fund.

4498.5. (a) Moneys in the 1996 Adult Offender Local Facilities Bond Fund shall be used for the construction, renovation to increase or maintain capacity, remodeling, and replacement of local facilities for the treatment, rehabilitation, and punishment of adult offenders. Up to 1½ percent of moneys in the fund may be used by the Board of Corrections for administration of this title.

(b) In order to be eligible to receive money for the purposes specified in this section, a county shall apply in the manner and form prescribed by the Board of Corrections.

(c) Allocation of funds shall be subject to future appropriation by the Legislature, and shall be made based on the following criteria:

(1) County matching funds of at least 25 percent are provided as determined by the Legislature, except that this requirement may be modified or waived by the Legislature by statute where it determines that it is necessary to facilitate the expeditious and equitable construction of local correctional facilities. The greater the percentage of matching funds that a county provides, the higher priority the county shall be given for allocation of moneys.

(2) The county, or a group of counties acting together, has developed a plan that identifies the county continuum of care model for prevention, intervention, supervision, treatment, and incarceration of adult offenders. The plan shall identify how the county will maximize funding sources (local criminal justice, local social services, federal and state programs, and education) for providing appropriate services for adult offenders. The plan shall demonstrate that the county has utilized, to the greatest extent practicable, alternatives to jail incarceration. The plan also shall identify the capital needs for fully providing the services outlined in the county model.

(d) Counties that have begun to plan, construct, or renovate facilities after January 1,